The Real Estate TRENDS

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REAL ESTATE ACTIVITY

The tightness of money is still affecting most branches of the real estate business. Real estate activity, as shown on the chart on page 535, is at the lowest point since July 1954. Since February 1955, with relatively few exceptions, the trend has been down. This decline in real estate activity started before money became tight, so not all the blame can be put on the financial situation, nor can the blame be put on general business, as during 1955 general business was trending up while real estate activity was trending down.

The table on page 532 shows the relationship of the number of voluntary sales of real estate in the last 3 months to the corresponding 3 months of 1955 for 80 cities, and it will be noticed that in only 17 of the 80 cities was real estate activity running ahead of the corresponding period of last year.

MORTGAGE ACTIVITY

Since February 1955, mortgage activity has also shown a steady downward trend, as pronounced in 1955 as it has been in 1956. Both mortgage and real estate activity would be helped by a freeing of FHA and VA interest rates from arbitrary regulation. FHA could be raised immediately to 5%. VA takes Congressional action, which could not be secured before January. FHA action should be taken at once, as many builders are now making their plans for spring. More houses would be put under construction in the spring were builders to be certain that the FHA interest rates would be more realistic, making more money available on insured loans. If FHA terms were changed immediately, it would make certain that VA terms would be changed with the convening of Congress.

RESIDENTIAL BUILDING

The number of new dwelling units built per year per 1,000 families declined again, and our building rate now stands at 26.5 units per 1,000 nonfarm families. This compares with 32.1 in August and September of a year ago, with 38.4 in September 1950, and with an average of 46.6 at the peak of the building boom of the 1920's. At no time during the 1950's have we built at a rate equal to the rates which were maintained, year after year, in the building boom that followed World War I.

RELATIONSHIP OF THE NUMBER OF VOLUNTARY SALES OF REAL ESTATE IN THE LAST 3 MONTHS TO THE CORRESPONDING 3 MONTHS OF 1955 FOR 80 CITIES

Rank	City	% Relationship 1955-56	Rank	City	% Relationship 1955-56
1	St. Petersburg, Fla.	+23.0	41	Allentown, Pa.	-8.2
2	Youngstown, Ohio	+21.7	42	Minneapolis, Minn.	-8.7
3	Waterbury, Conn.	+19.2	43	Trenton, N. J.	-8.9
4	New Haven, Conn.	+18.6	44	Akron, Ohio	-8.9
5	Buffalo, N. Y.	+12.0	45	Baltimore, Md.	-10.0
6	Terre Haute, Ind.	+10.1	46	Savannah, Ga.	-10.2
7	Little Rock, Ark.	+9.4	47	Westchester Co.	
8	Springfield, Mo.	+6.0		(Yonkers, N. Y.)	-10.2
9	Richmond, Va.	+4.4	48	Detroit, Mich.	-10.2
10	Fort Worth, Tex.	+4.1	49	Rochester, N. Y.	-10.8
11	San Jose, Calif.	+4.0	50	Los Angeles, Calif.	-10.8
12	Lowell-Lawrence-		51	Tacoma, Wash.	-10.9
	Haverhill, Mass.	+3.7	52	Chattanooga, Tenn.	-11.0
13	Austin, Tex.	+3.1	53	Cleveland, Ohio	-11.2
14	Fall River, Mass.	+2.9	54	Oakland, Calif.	-11.4
15	San Antonio, Tex.	+2.8	55	Oklahoma City, Okla.	-11.4
16	Worcester, Mass.	+1.7	56	Bridgeport, Conn.	-11.6
17	Phoenix, Ariz.	+0.9	57	Atlanta, Ga.	-12.5
18	Elizabeth, N. J.	-0.1	58	Miami, Fla.	-12.8
19	Topeka, Kans.	-1.0	59	Kalamazoo, Mich.	-13.2
20	Hartford, Conn.	-1.0	60	St. Louis, Mo.	-13.3
21	Fort Wayne, Ind.	-1.5	61	South Bend, Ind.	-13.6
22	Philadelphia, Pa.	-2.2	62	Springfield, Ohio	-13.8
23	Houston, Tex.	-2.4	63	Des Moines, Iowa	-13.9
24	Queens Co., N. Y.	-2.4	64	Tulsa, Okla.	-14.0
25	Springfield, Mass.	-2.5	65	Denver, Colo.	-14.8
26	Newark, N. J.	-2.9	66	Nassau Co., N. Y.	-15.5
27	Syracuse, N. Y.	-3.3	67	Gary, Ind.	-15.8
28	Binghamton, N. Y.	-3.7	68	Grand Rapids, Mich.	-16.1
29	Duluth, Minn.	-4.8	69	Boston, Mass.	-16.4
30	Indianapolis, Ind.	-5.3	70	Kansas City, Mo.	-17.4
31	Dallas, Tex.	-5.9	71	Somerville, Mass.	-17.7
32	Jersey City, N. J.	-5.9	72	Milwaukee, Wis.	-18.8
33	San Diego, Calif.	-7.0	73	Nashville, Tenn.	-21.5
	NATIONAL AVERAGE	-7.3	74	Memphis, Tenn.	-22.3
34	Chicago, Ill.	-7.6	75	Evansville, Ind.	-22.4
35	Portland, Maine	-7.6	76	Toledo, Ohio	-24.3
36	Dayton, Ohio	-7.6	77	Flint, Mich.	-28.7
37	Jacksonville, Fla.	-7.9	78	Davenport, Iowa	-29.3
38	Portland, Oreg.	-8.0	79	Salt Lake City, Utah	-36.4
39	Tucson, Ariz.	-8.1		Winnipeg, Canada	-10.3
40	San Francisco, Calif.	-8.2			

OTHER CONSTRUCTION

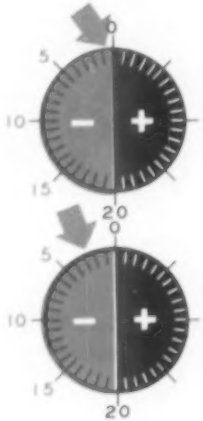
If we take total construction, including residential, 1956 will set a new dollar record, as the increases in industrial building, commercial building, highways and bridges, and other miscellaneous types of construction have more than offset the drop in residential. During 1957, most forecasters believe, total construction will again set a new record, probably as much as 5% ahead of the record for 1956.

DISTRESS SALES OF REAL ESTATE

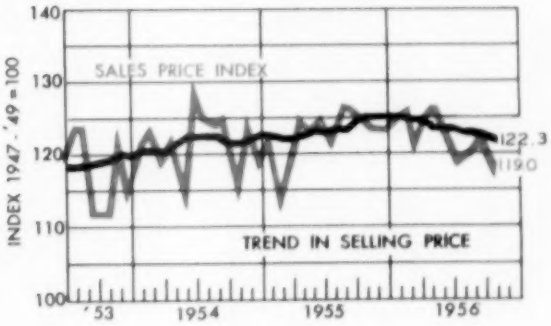
Our foreclosure index is still moving across the bottom of our chart without much probability that it will change a great deal in the near future.

SALES OF RESIDENTIAL UNITS

The charts and table below show that the average sales price of existing real estate, as measured by this index, has been declining since January 1956, although the decline has been rather gradual. A house that would have sold for $12,000 in 1947, sold for



REAL ESTATE SALES PRICE COMPARISONS



Date	Trend in selling price	Probable selling price of a house that sold for $12,000 in 1947-49 period
1947-49	100.0	$12,000
1913	40.1	4,812
1918	34.1	4,092
Mar. '29	73.9	8,868
May '32	34.8	4,176
Apr. '34	44.8	5,376
July '37	40.1	4,812
Apr. '38	42.8	5,136
Mar. '41	40.1	4,812

Date	Trend in selling price	Probable selling price of a house that sold for $12,000 in 1947-49 period
Oct. '48	104.5	$12,540
Oct. '53	119.7	14,360
Oct. '54	122.3	14,680
Jan. '55	122.9	14,750
May '55	123.5	14,820
Oct. '55	125.1	15,010
Jan. '56	125.3	15,035
Mar. '56	124.5	14,940
June '56	123.4	14,810
July '56	123.3	14,795
Aug. '56	122.7	14,725
Sept. '56	122.5	14,700
Oct. '56	122.3*	14,675*

*Preliminary

$15,035 in January 1956, has since dropped $360, and would sell on today's market for $14,675.

MORTGAGE INTEREST RATES

The table shown below gives the average interest rate of recorded mortgages in 12 major metropolitan areas of the United States. The average rate increased from September to October, and is now at the highest point since February 1954.

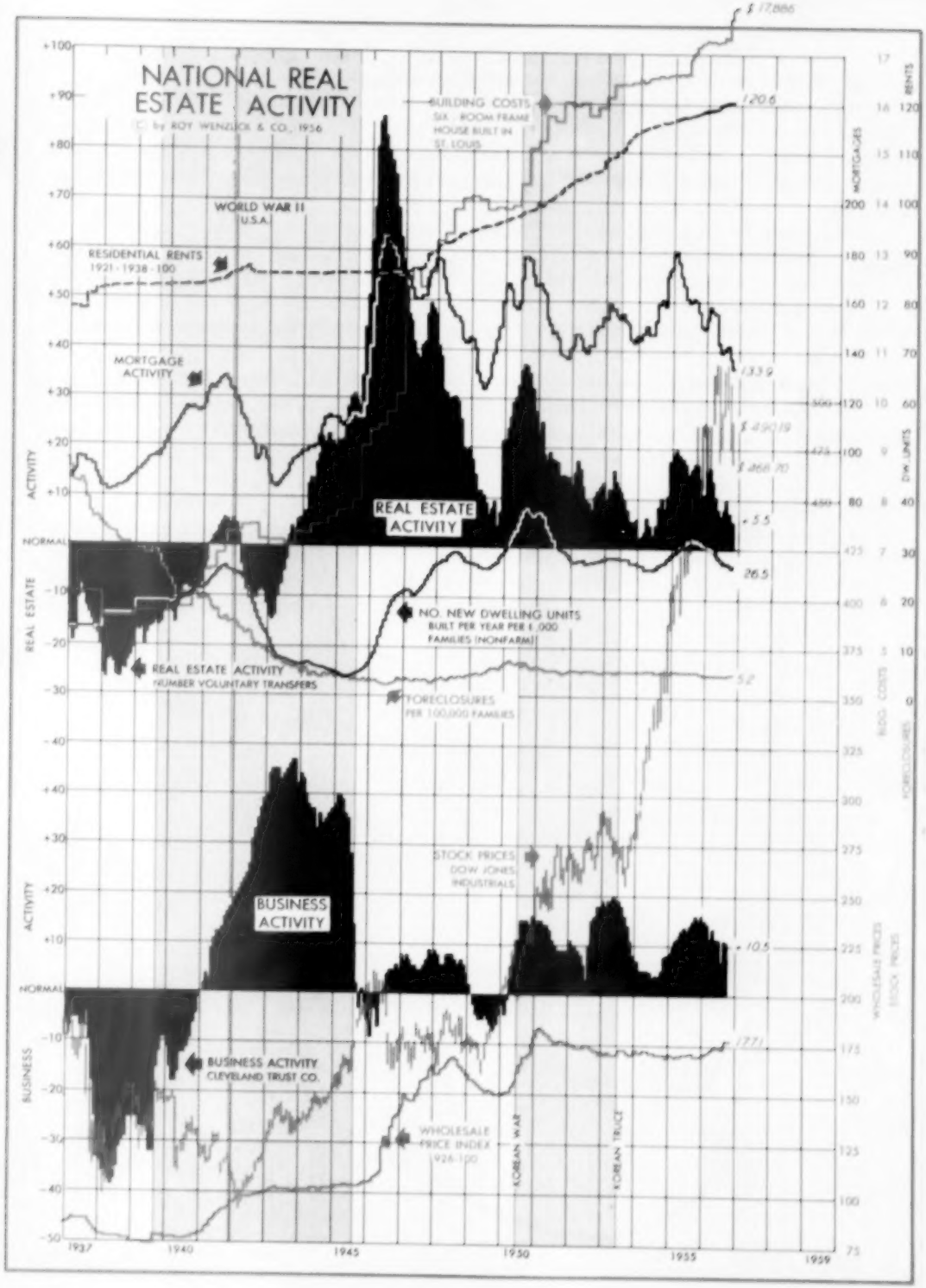
It should be kept in mind in using this index that this is based on recorded rates and that two factors tend to influence the results. First, there is always a considerable lag between the mortgage commitment and the recording. Sometimes this amounts to many months. The other factor influencing these figures is that no allowance is made for the fact that many mortgages were sold at a discount, sometimes of sizable proportions. From the recorded figures there is no way of telling what mortgages were discounted and what the discounts were. We all know that the discount on FHAs and VAs has been rather heavy during the past few months. Were it possible to take this into consideration in the recorded interest averages, the advance in interest rates during the past few years would be shown to be far greater than recordings would suggest.

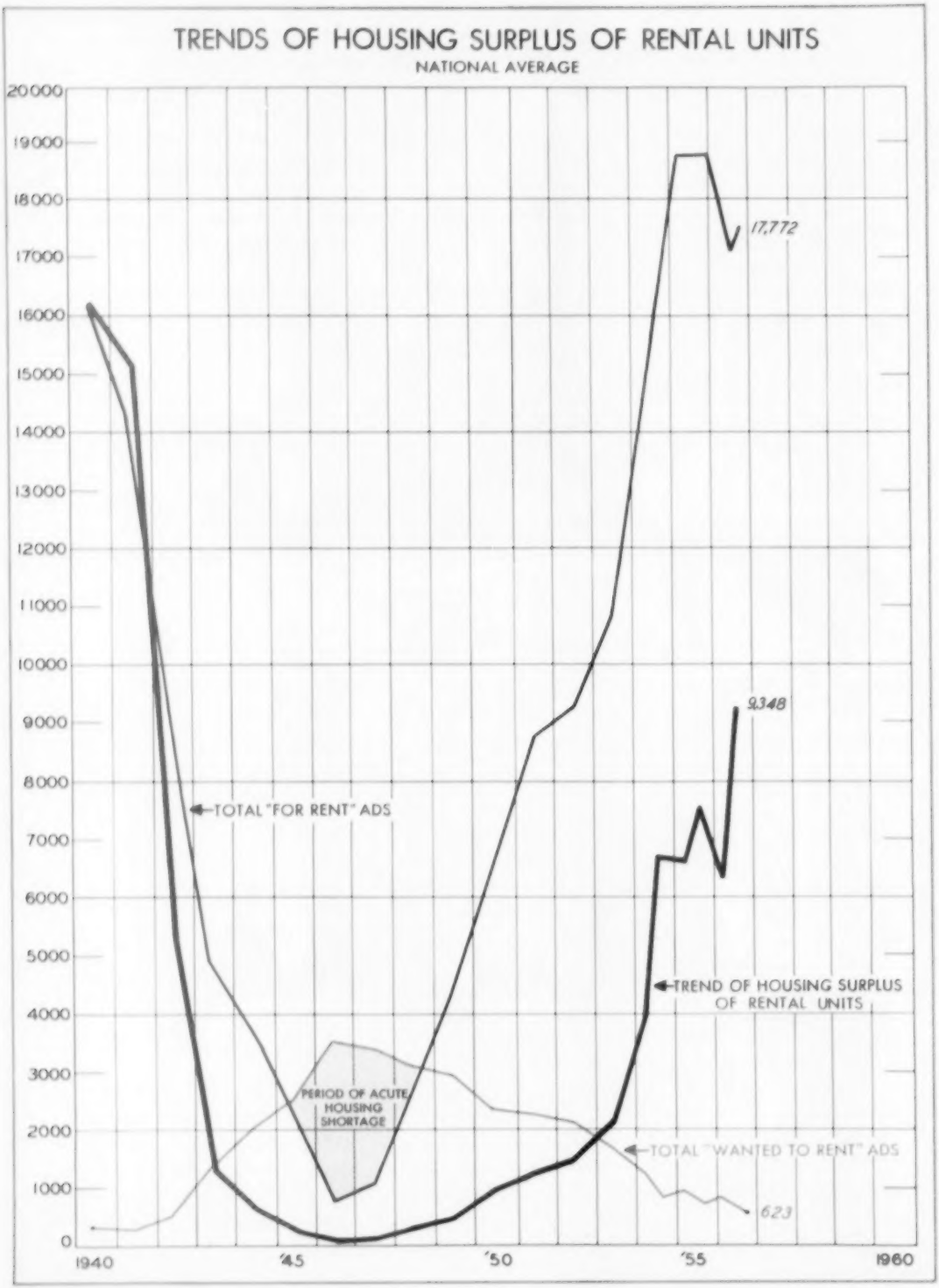
AVERAGE INTEREST RATE OF RECORDED MORTGAGES
IN 12 MAJOR CITIES OF THE UNITED STATES

Jan. '54 5.187%	May '55 5.044%	Jan. '56 5.105%
Apr. '54 5.173	June '55 5.052	Feb. '56 5.177
July '54 5.089	July '55 5.050	Mar. '56 5.212
Oct. '54 5.092	Aug. '55 5.049	Apr. '56 5.157
Jan. '55 5.070	Sept. '55 5.043	May '56 5.158
Feb. '55 5.070	Oct. '55 5.055	June '56 5.155
Mar. '55 5.087	Nov. '55 5.051	July '56 5.141
Apr. '55 5.079	Dec. '55 5.066	Aug. '56 5.190
		Sept. '56 5.183
		Oct. '56 5.229

RESIDENTIAL RENTS

The index of residential rents is now 120.6. This is the highest point ever reached by our rent index. However, it is still relatively low in relationship to construction costs and the selling prices of existing properties. We would normally expect the same relationship to exist between rents and these other indexes which existed during the period prior to World War II. This rent index is only about half as high as we would expect it to be, based on these past relationships. This is undoubtedly the reason why so little real estate is being built for rent.


NATIONAL REAL ESTATE ACTIVITY
© by ROY WENZLICK & CO., 1956
BUILDING COSTS SIX - ROOM FRAME HOUSE BUILT IN ST. LOUIS
WORLD WAR II U.S.A.
RESIDENTIAL RENTS 1921 - 1938 - 100
MORTGAGE ACTIVITY
REAL ESTATE ACTIVITY
NO. NEW DWELLING UNITS BUILT PER YEAR PER 1,000 FAMILIES (NONFARM)
REAL ESTATE ACTIVITY NUMBER VOLUNTARY TRANSFERS
FORECLOSURES PER 100,000 FAMILIES
STOCK PRICES DOW JONES INDUSTRIALS
BUSINESS ACTIVITY
BUSINESS ACTIVITY CLEVELAND TRUST CO.
WHOLESALE PRICE INDEX 1926-100
KOREAN WAR
KOREAN TRUCE
$ 17,886
120.6
133.9
$ 49,019
$ 868.70
55
26.5
5.2
10.5
177.1
ACTIVITY
NORMAL
REAL ESTATE
BUSINESS
MORTGAGES
RENTS
DWL. UNITS
BLDG. COSTS
FORECLOSURES
WHOLESALE PRICES
STOCK PRICES
1937
1940
1945
1950
1955
1959


TRENDS OF HOUSING SURPLUS OF RENTAL UNITS
NATIONAL AVERAGE
20000
19000
18000
17000
16000
15000
14000
13000
12000
11000
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
1940
'45
'50
'55
1960
17,772
9,348
623
TOTAL "FOR RENT" ADS
TREND OF HOUSING SURPLUS OF RENTAL UNITS
PERIOD OF ACUTE HOUSING SHORTAGE
TOTAL "WANTED TO RENT" ADS

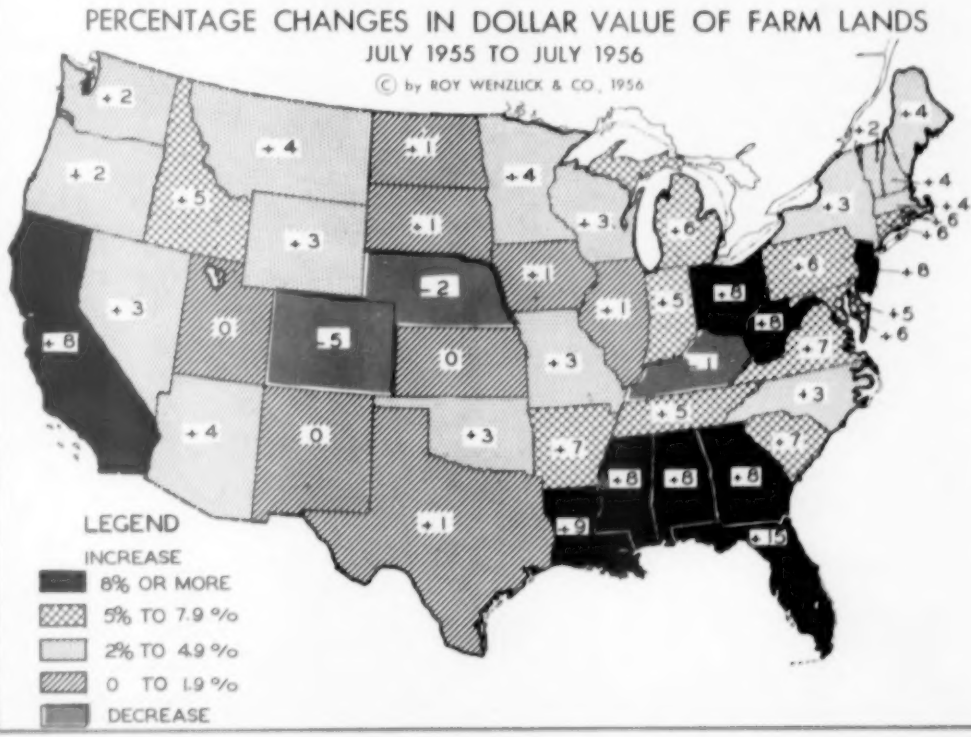
FARM VALUES PER ACRE

The map below shows the percentage changes in dollar value of farm lands from July 1955 to July 1956. Consistently, the Southeast has been showing up well each time we have published this map. It will be noticed that in the Southeastern States the lowest percentage of increase for this period is 8%.

California also regularly shows up with increased values of farm lands. During the past year Ohio, West Virginia, and New Jersey each showed an increase of 8% over the preceding period. Probably the New Jersey figure is due primarily to the increasing urbanization of the relatively small State, giving higher values for truck garden purposes to much of its farm land.

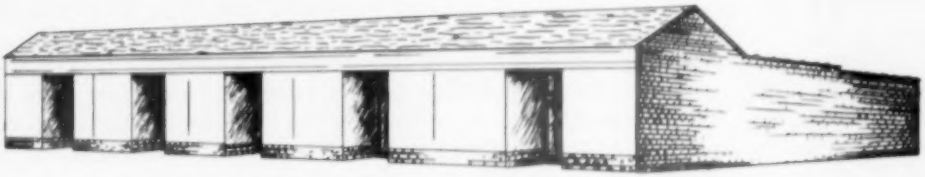
The poorest showing during this past year was made by Colorado, Nebraska, Kentucky, Kansas, New Mexico, and Utah. A number of these States have been problem States for some time from the standpoint of agriculture, and during the past year drought conditions have accentuated some of their basic problems.

It is surprising to look at the map as a whole, however, and see the very satisfactory rise in farm land prices in most areas in view of the complaints of farmers on the selling prices of food products. We still have many unsolved problems ahead of us in the farm field, but apparently up to date these are not too seriously affecting the values of farm lands.



INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
November 1956



COMMERCIAL BUILDING - NO BASEMENT
Content: 115,850 cubic feet
8,075 square feet
Cost 1939: $22,726
(19.6¢ per cubic foot; $2.82 per square foot)
Cost today: $67,221
(58.0¢ per cubic foot; $8.32 per square foot)
INCREASE OVER 1939 = 195.8%

For plans and specifications see page 74 of the Wenzlick Building Cost Manual.

18-FAMILY BRICK APARTMENT
(FRAME INTERIOR)*
Content: 168,385 cubic feet
13,260 square feet
Cost 1939: $ 60,300
(35.8¢ per cubic foot; $ 4.55 per sq. ft.)
Cost today: $175,185
($1.04 per cubic foot; $13.21 per sq. ft.)
INCREASE OVER 1939 = 190.5%

For plans and specifications see page 60 of the Wenzlick Building Cost Manual.

30-UNIT REINFORCED
CONCRETE APARTMENT*
Content: 303,534 cubic feet
21,372 square feet
Cost 1939: $135,000
(44.5¢ per cubic foot; $ 6.33 per sq. ft.)
Cost today: $377,714
($1.24 per cubic foot; $17.67 per sq. ft.)
INCREASE OVER 1939 = 179.8%

For plans and specifications see page 68 of the Wenzlick Building Cost Manual.

*Costs include full basement